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KRAMER

A SHORT INTRODUCTION TO EU POLICY MAKING ON SUSTAINABLE FINANCE

UNDERSTANDING RESPONSIBILITIES,
PROCEDURES AND TIMELINES TO STAY
ON TOP OF THE EVOLVING REGULATORY
LANDSCAPE

AUGUST 2025

Herbert Smith Freehills Kramer produced this report at the
request of the Global Impact Investing Network (GIIN)



A note from Sean Gilbert, Chief Investor Network Officer at the Global Impact Investing Network, Inc. (GIIN).

We are pleased to acknowledge the comprehensive report, A Short Introduction to EU Policy Making on Sustainable Finance, prepared by Herbert Smith Freehills Kramer and commissioned by the GIIN. The report offers impact investors a clear and concise overview of the interaction among various institutions and typical timelines for the European Union's policymaking process on sustainable finance. This is a rapidly developing and important area for impact investing and may influence global perceptions.

As sustainable finance evolves, it's helpful for organizations to stay informed about the latest developments and policy frameworks, and to understand if and when regulatory projects could affect their businesses. Sustainable finance regulation in the European Union continues to change at a fast pace, from the development of large frameworks like SFDR and CSRD to the current simplification agenda. This timely report provides valuable insights into the dynamics of EU policymaking, supporting investors as they navigate the complexities and opportunities presented by the continued shift toward a more sustainable future.

We believe this resource can equip impact investors to prepare for potential implications and requirements that lie ahead. We invite all organizations with an interest in sustainable finance to read this insightful report.

Kind regards,

Sean Gilbert

Chief Investor Network Officer

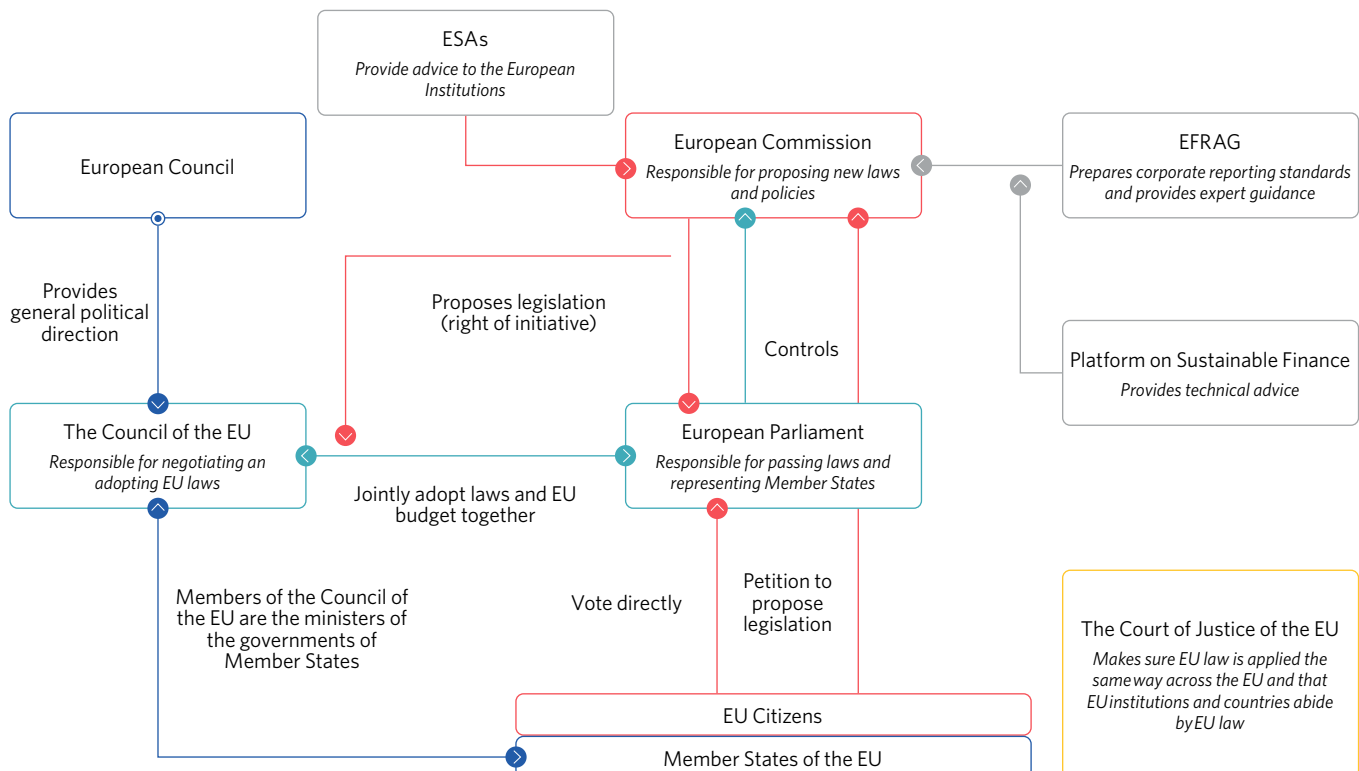


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A. Involved institutions and their main responsibilities



A whole host of institutions take part in the complex process of sustainability finance policymaking in the European Union (EU). In this chapter, we give you a short overview of the institutions involved in the EU's legislative process, paying special attention to those bodies that play an important role in developing sustainable finance policy.

First and foremost, the EU has three legislative bodies:

1. **The European Commission:** responsible for **proposing** new laws and policies. Its members are elected by other EU institutions.
2. **The European Parliament:** responsible for **passing** laws and representing the Member States of the EU (**Member States**). It is comprised of directly elected representatives from the Member States.
3. **The Council of the European Union:** responsible for **negotiating and adopting** EU Law together with the European Parliament. Its members are the ministers of the governments of Member States.

Zooming out, there are several other bodies that are essential to policymaking in the EU. For one, there is the European Council, which does not make laws but decides on the overall political direction of the EU. There are also the European Supervisory Authorities (**ESAs**) which provide advice to the EU's legislative bodies and are especially important in the world of sustainable finance policymaking: the European Securities and Markets Authority (**ESMA**), the European Insurance and Occupational Pensions Authority (**EIOPA**) and the European Banking Authority (**EBA**).

Filling in the remaining parts of the picture, there are several smaller bodies and groups which provide specific, technical expertise on the functioning of particular pieces of EU legislation. For example, the Platform on Sustainable Finance (**PSF**) provides technical advice and oversight of the Taxonomy Regulation. Likewise, the European Financial Reporting Advisory Group (**EFrag**) provides expert guidance to the European Commission and prepares the standards that underlie the EU's Corporate Sustainability Reporting Directive (**CSRD**). Finally, the Court of Justice of the European Union (**CJEU**) ensures that EU Law is interpreted and applied consistently across all Member States.

A.1 The European Commission

Role and composition

The **European Commission** is the executive body of the EU. As noted above, it is the sole EU body capable of proposing new legislation. It is therefore the primary driver of EU sustainability policy.

The European Commission

- 26 Commissioners + 1 President
- Only institution authorised to propose laws
- Executive branch of the EU
- Commissioners have their own area of policy, multiple Commissioners have responsibilities overseeing different aspects of the sustainable finance framework

The European Commission has several roles, including:

1. **Proposing legislation;**
2. **Ensuring compliance with EU Law and policies across the Member States;**
3. **Managing the EU's Budget;**
4. **Negotiating international agreements on behalf of the EU; and**
5. **Representing the EU on the global stage and coordinating the approach of Member States.**

The European Commission is politically independent from Member State governments; its 27 Commissioners are elected by other EU bodies. The election process involves several steps. The President of the European Commission – the position that is currently held by Ursula von der Leyen – is elected by the European Parliament. The remaining 26 Commissioners are elected by the Member States. Even though the Member States propose the Commissioners, the Commissioners do not represent their nation. Ultimately, the European Parliament has a vote to approve or reject the final composition of the European Commission as a whole.

Together, the 27 Commissioners are known as the "College" and are each responsible for a specific policy area, which is assigned to them by the President of the European Commission. The Commissioners that influence the EU's sustainable finance system are the "Executive Vice President and Commissioner for Clean, Just and Competitive Transition", the "Commissioner for Financial Services and the Savings and Investments Union", the "Commissioner for Climate, Net-Zero and Clean Growth", and the "Commissioner for Environment, Water Resilience, and a Competitive Circular Economy".

The European Commission's term of office usually starts a couple of months after the elections of the European Parliament (held in May or June) and lasts five years. The next elections will be in 2029. The European Commission is based in Brussels, Belgium.

Legal basis

The European Commission was constituted by, and draws its powers from, the two fundamental treaties of the EU:

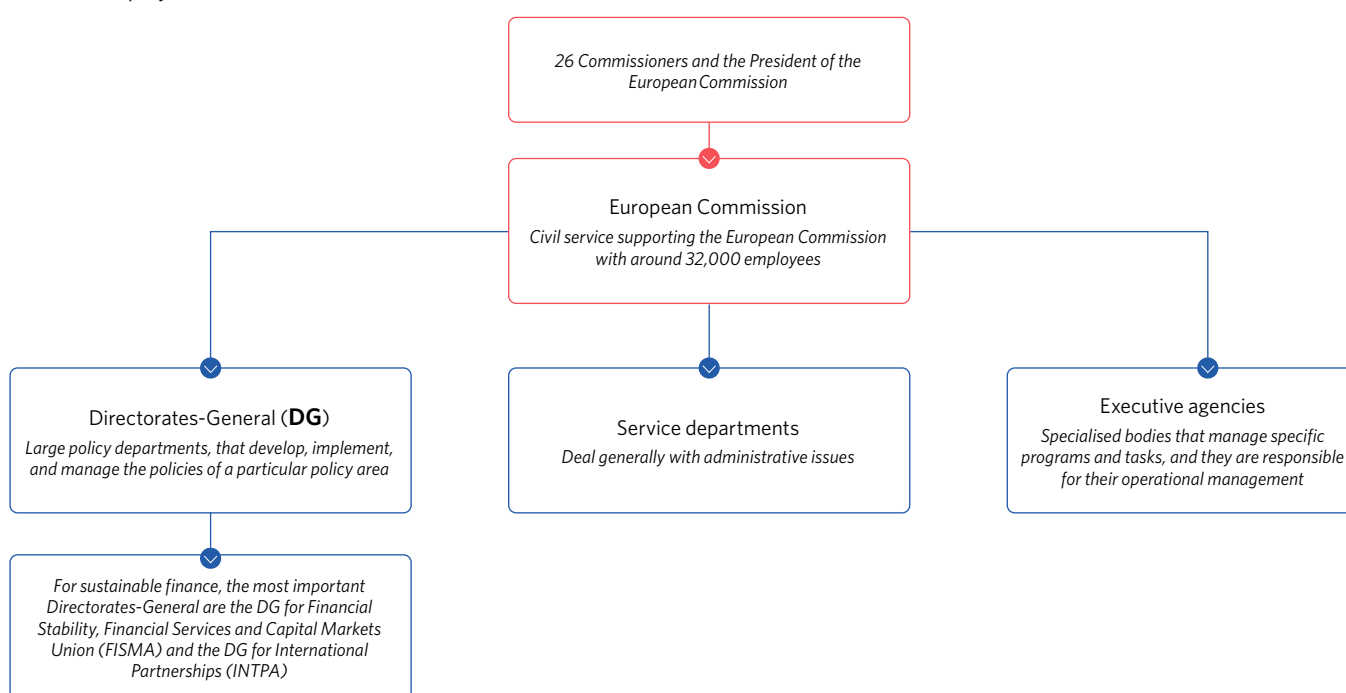
- **The Treaty on the European Union (TEU):** the TEU sets out the basic principles of the EU, the governance structures of its institutions, and its rules on external, foreign and security policy. Any amendments to this treaty must be approved by all Member States.
- **The Treaty on the Functioning of the European Union (TFEU):** the TFEU contains the legal basis for the operation of the EU, and accordingly sets out the European Commission's responsibilities.



A. Involved institutions and their main responsibilities

How are policies developed and decisions taken?

The European Commission has a robust civil service which supports it in its mission. It currently employs around 32,000 permanent and contract employees.



The European Commission develops policy with the support of several bodies:

- 1. Directorates-General (DGs):** the DGs are large policy departments, which are the equivalent of national-level ministries. The DGs develop, implement, and manage the policies of a particular policy area. Most DGs are headed by the respective Commissioner. Looking specifically at sustainable finance, the most important DGs are the DG for Financial Stability, Financial Services and Capital Markets Union (**FISMA**) and the DG for International Partnerships (**INTPA**), both of which include directorates (also called "units") which specifically focus on sustainable finance;¹
- 2. Service departments:** the service departments generally deal with administrative issues relating to policy proposals; and
- 3. Executive agencies:** specialised bodies established by the European Commission to manage specific programs and tasks. These agencies are responsible for the operational management of EU programs, which includes overseeing their structure, tasks, operations, and budget. Essentially, they handle the day-to-day implementation of policies and programs that the European Commission has set up.

Depending on the nature and level of importance of a particular initiative or document, the European Commission will adopt a different decision-making procedure. Many decisions are made simply in writing, whereas others are orally debated at weekly meetings attended by the College. The College decides collectively by a simple majority of the Commissioners present (the quorum is 15 out of 27).

Once an initiative is adopted by the European Commission, its text is shared with the other EU bodies, and negotiations begin. The European Commission itself is entitled to publish recommendations, opinions, notices, and FAQs without binding force, but of tremendous importance for the interpretation of laws.

A.2 The European Parliament

Role and composition

The **European Parliament** is another of the three legislative bodies of the EU and performs representative, supervisory and budgetary functions. Together with the Council of the European Union (the **Council**), it **shares the power of adopting and amending the legislative proposals received from the European Commission**.

1. See the organisational chart of the **FISMA** and the **INTPA**.

While the European Parliament cannot propose laws itself, it may submit legislative proposals to the European Commission for its consideration. The European Parliament is also responsible for approving the EU's long-term budget. It is empowered to question the European Commission and Council and may comment on the European Commission's proposed work programme.

The European Parliament is composed of a maximum of 751 directly elected members across all of the Member States, roughly proportionate to their population (the exact number of members of the European Parliament (**MEPs**) will vary each election). Elections for MEPs take place every five years. Once in European Parliament, the MEPs are not grouped by nationality, but by political affinity. The MEPs elect one of their own as President of the European Parliament for a renewable two-and-a-half-year term.

Strasbourg is the official seat of the European Parliament, where plenary sessions are held. However, most committee work takes place in Brussels, while the Parliament's administrative functions are carried out by its General Secretariat, based in Luxembourg.

How are policies developed and decisions taken?

As noted above, the European Parliament is also constituted by and draws its powers from the TEU and TFEU. In the European Parliament, legislation is passed by various committees of MEPs, each of which deals with a particular area. Of particular relevance for sustainable finance are the following committees: the Committee on Economic and Monetary Affairs (**ECON**), the Subcommittee on Human Rights (**DROI**), the Committee on Industry, Research and Energy (**ITRE**), and the Committee on Legal Affairs (**JURI**).

The European Parliament

- Max. 751 MEPs, directly elected by EU citizens every 5 years
- Legislative branch of the EU
- MEPs work in committees to draft and amend legislation
- Committees relevant for sustainable finance: ECON, DROI, ITRE and JURI

The proposed legislation will be examined in parallel by the Council, and ordinarily each proposal will pass between the two bodies, accompanied by amendments.

There is a final vote to approve legislative acts and resolutions which is taken by a minimum of a third of MEPs in 'plenary sessions' held in Strasbourg. These meetings are usually held once a month and last four days. If the Council also votes to approve the proposal, it will proceed to become EU Law. If the bodies disagree, a more complex process of negotiation and conciliation between the Council and European Parliament takes place.

A.3 The Council of the European Union

Role and composition

The **Council** is the EU's third and final legislative body. Founded in 1967 (with the European Commission), the Council brings together a government minister from each of the Member States to consider, negotiate, and approve legislation. The Council is headed by a six-month rotating presidency. This presidency is not assigned to an individual, but to a Member State. The Member States take terms according to a predetermined order. As there are 27 Member States, each will hold the Council presidency once every 13.5 years. The Council of the EU is headquartered in Brussels, Belgium.

The Council of the European Union

- 27 members (one government minister from each Member State)
- Co-legislative body with the European Parliament. Coordinates policies, adopts laws and approves budgets
- Relevant configurations for sustainable finance: ECOFIN, ENVI

Structure

Like the European Commission and European Parliament, the Council was established by, and exercises the powers conferred on it by, the EU's primary treaties, the TEU and the TFEU respectively. There are no fixed members of the Council, instead, the Council meets in 10 different configurations depending on the policy area being discussed. **The Economic and Financial Affairs Council (ECOFIN) and the Environment Council (ENVI) are relevant configurations that shape sustainable finance policies.** Depending on the topic the Council is debating, the governments of the Member States send the appropriate minister from their national governments.



A. Involved institutions and their main responsibilities

How are policies developed and decisions taken?

Like the European Parliament, **the Council cannot propose laws**; this power lies solely with the European Commission. However, **the Council performs an important legislative role by suggesting changes to the draft legislation and adopting legislative proposals**. There can be no successful legislative procedure without the consent of the Council.

Most of the Council's decisions need to fulfil what is called a 'double qualified majority' vote. The double-qualified majority is reached if the vote of the members of the European Council is backed by 55 % of the Member States (with 27 Member States, this means 15 countries) representing 65 % of the EU population. To block a decision, at least 4 countries are needed (representing at least 35% of the total EU population), with the exception of sensitive topics like foreign policy and taxation which require a unanimous vote.

Mistaken Identity

There are two other institutions in Europe that also carry the word "Council" in their name, that should not be confused with the Council of the European Union:

1. **The European Council (EUCO):** the EUCO is also an institution of the EU but is comprised of the leads of the Member States (heads of the executive government or state, depending on the Member State's system) (see more below).
2. **The Council of Europe (CoE):** the CoE is not an EU institution at all, but an international organisation aimed at preserving human rights and democracy. With the exception of Belarus, Russia and Vatican City, 46 nations in Europe are members of the CoE. Its parliamentary assembly is comprised of members of parliaments of the CoE's member states and can, inter alia, introduce conventions like the European Convention on Human Rights (**ECHR**) and elect the judges to the European Court of Human Rights (**ECtHR**). The ECtHR monitors compliance with the ECHR.

A.4 European Council

The EUCO was founded informally in 1961 and formally established as an EU institution in 2009. It is comprised of EU leaders, which include the heads of state or government of the Member States, the President of the EUCO, and the President of the European Commission. It is headquartered in Brussels, Belgium.

The EUCO **does not have legislative competences**; instead, **it defines the general political direction and priorities of the EU**. This includes proposing the candidate for **the President** of the European Commission.

Similar to the Council, the EUCO's decision-making process requires a double qualified majority.

EUCO's meetings, also known as 'EU summits', occur at least four times per year, but additional meetings can be convened to address urgent issues.

A.5 European Supervisory Authorities (ESAs)

The ESAs are a fundamental component of the European System of Financial Supervision (**ESFS**), which was established in 2011 to ensure consistent and coherent financial supervision across the EU. The ESFS is a multi-layered system designed to oversee both macro-prudential and micro-prudential aspects of financial regulation. Macro-prudential aspects relate to the stability of the financial system as a whole and micro-prudential aspects to the stability and soundness of individual financial institutions. Within this system, the three ESAs – namely the EBA, the ESMA, and the EIOPA – play an important role.

Primarily, **the ESAs are responsible for advising the European Commission, the European Parliament, and the Council on financial regulation and supervision matters**. Additionally, **they develop technical standards and guidelines addressed to national supervisory authorities to ensure the consistent application of EU financial regulations**.

Moreover, the ESAs oversee the implementation of these regulations by national supervisory authorities. They also facilitate cooperation and information exchange among national supervisors, addressing cross-sectoral issues through the Joint Committee of the ESAs.

European Supervisory Authorities

- Three Authorities: EBA, EIOPA and ESMA
- Part of the European System of Financial Supervision (ESFS)
- Ensure the stability and integrity of the EU financial system
- Focus Areas: ESMA on financial markets, EIOPA on insurance and pensions, EBA on banking

In essence, the ESAs are the operational arms of the ESFS, translating the system's overarching goals into practical regulatory and supervisory actions that enhance the stability and integrity of the EU financial system. In the next paragraphs you will see that each ESA focuses on a different sector: ESMA on financial markets, EIOPA on insurance and pensions, and EBA on banking.

European Securities and Markets Authority (ESMA)

ESMA was established in 2011 under the ESMA Regulation,² which also defines its competences.

ESMA has a governance structure that includes both voting and non-voting members. ESMA's voting members are the national authorities responsible for the supervision of financial markets in each Member State. These are typically the heads of national public authorities competent for the supervision of securities markets. ESMA's non-voting members are representatives from several key EU and European Economic Area (EEA) institutions, namely the EBA, EIOPA, European Systemic Risk Board (ESRB), the European Commission, the European Free Trade Association Surveillance Authority (EFTA Surveillance Authority) as well as supervisory authorities from non-EU members of the EEA (i.e. Iceland, Liechtenstein, and Norway).

ESMA's primary goal is to ensure the orderly functioning of financial markets and their stakeholders. These stakeholders include supervisors at both national and EU levels, benchmark administrators, credit rating agencies, fund management entities (such as fund administrators, asset managers, investment firms which provide portfolio management, depositaries, risk management consultants and valuers), as well as retail and institutional investors and consumers.

To achieve this, ESMA advises legislative institutions by proposing the harmonisation of certain laws. **It also publishes guidelines and reports on compliance with laws addressed to national authorities.** For example, ESMA has published guidelines on funds' names³ and a report (together with the other ESAs) on principal adverse impacts under the Sustainable Finance Disclosure Regulation (SFDR)⁴.

ESMA also supervises ESG rating providers based on the newly-adopted EU ESG rating regulation⁵. If national authorities fail to comply with their legal obligations, ESMA can investigate and recommend specific actions. If non-compliance persists, the European Commission can adopt a binding decision.

It is important to note that ESMA cannot be equated with national supervisory authorities. While ESMA plays a significant role in the EU's financial supervision framework, the right to regulate entities remains with national regulators.

ESMA is headquartered in Paris, France.

European Insurance and Occupational Pensions Authority (EIOPA)

The EIOPA was established in 2011 under the EIOPA Regulation⁶. The EIOPA has a governance structure that includes both voting and non-voting members. EIOPA's voting members include representatives from the relevant supervisory authorities in each Member State. Non-voting members include representatives of the European Commission, the ESRB, the EBA, and the ESMA.

The EIOPA's primary goal is to foster financial stability and confidence in the insurance and pensions markets. To achieve this, **it provides advice to EU legislative institutions to help shape policies and laws at EU and national levels and it issues non-binding papers.** Notable recent publications include the EIOPA's Report and Opinion on Greenwashing⁷ and its Final Report on the Prudential Treatment of Sustainability Risks for Insurers⁸, in which the EIOPA recommends additional capital requirements for fossil fuels in the balance sheets of European insurers in order to accurately reflect the high risks of these assets.

The EIOPA has the authority to restrict or prohibit financial activities that threaten the stability of the financial system. It can take preventive measures and issue recommendations to national authorities responsible for supervision of the insurance and occupational pensions sectors regarding alleged breaches of law and can act as a mediator in disputes between national authorities.

The EIOPA is based in Frankfurt, Germany.

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2. Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority).
 3. ESMA Guidelines on funds' names using ESG or sustainability-related terms of 14 May 2024.
 4. Report on the Principal Adverse Impact disclosures under the Sustainable Finance Disclosure Regulation; Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
 5. Regulation (EU) 2024/3005 of the European Parliament and of the Council on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities.
 6. Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority).
 7. EIOPA's Final Report and Opinion on Greenwashing – Advice to the European Commission of 31 May 2024.
 8. EIOPA Final Report on the Prudential Treatment of Sustainability Risks for Insurers of 07 November 2024.

A. Involved institutions and their main responsibilities

European Banking Authority (EBA)

The EBA was established in 2011 under the EBA regulation⁹.

The EBA has a governance structure that includes both voting and non-voting members. Voting members are the national authorities of Member States responsible for the supervision of banks, typically the heads of national public authorities with competence for the supervision of credit institutions. Non-voting members include representatives from key EU and EEA institutions, namely the European Commission, the European Central Bank Supervisory Board, the ESRB, the ESMA, the EIOPA, and supervisory authorities from non-EU members of the EEA.

The EBA's primary goal is to create a regulatory and supervisory framework for the EU banking sector. It achieves this by issuing opinions, either individually or jointly with the other ESAs, and by amending regulatory technical standards. Examples include its Opinion on the ESRS¹⁰, its Opinion on Green Loans and Mortgages¹¹, and, in collaboration with the other ESAs, the Joint ESAs Opinion on the assessment of the Sustainable Finance Disclosure Regulation¹². Additionally, the EBA discloses certain supervisory data to increase transparency and promote cooperation between national supervisory authorities.

In cases of alleged incorrect or insufficient application of EU Law by a national supervisory authority (the body responsible for overseeing banks in a particular country), the EBA can conduct investigations and issue recommendations on the actions to be taken to comply with EU Law. If a national supervisor continues to be non-compliant, the EBA has the power to step in and make decisions directly addressed to the bank in question. This means that the EBA can bypass the national supervisor and directly instruct the bank on what needs to be done to comply with EU Law.

Furthermore, the EBA can investigate financial institutions if there are allegations that they have breached certain EU Laws.

The EBA is headquartered in Paris, France.

A.6 The Platform on Sustainable Finance (PSF)

Compared to what we have discussed so far, the PSF is a different kind of body altogether. The PSF was established in 2020 under the Taxonomy Regulation¹³. **It is essentially a panel of sustainability experts from a range of stakeholder groups from the public and private sectors**, who rotate every two years, **that provides ongoing advice to the European Commission on the implementation and usability of the Taxonomy Framework**. As an advisory body, the PSF is subject to the European Commission's horizontal rules for expert groups, which deal with the creation and operation of expert groups and are aimed at increasing transparency, avoiding conflicts of interest and ensuring a balanced representation of interests.

The PSF's objective is advising the European Commission on the implementation of the Taxonomy Framework and, more broadly, the EU sustainable finance framework. This includes topics such as the usability of the Taxonomy Framework, the development and revisions of technical screening criteria for the Taxonomy Framework, and monitoring capital flows into sustainable investments. It has recently issued reports on Minimum Safeguards¹⁴, a Compendium of Market Practices¹⁵, Monitoring Capital Flows to Sustainable Investments¹⁶, Categorisation of Products under the SFDR¹⁷ and Investing for Transition Benchmarks¹⁸.

A.7 The European Financial Reporting Advisory Group (EFRAG)

While EFRAG's role is specifically focused on corporate reporting, encompassing both its financial and sustainability aspects, it plays an important role in Europe's sustainable financial system: the expertise and guidance it provides adds flesh to the bones of EU regulations (eg the Accounting Directive and the CSRD).

9. Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority).

10. Opinion of the EBA on the draft European Sustainability Reporting Standards (ESRS) (31 January 2023).

11. EBA opinion on green loans and mortgages (15 December 2023).

12. Joint ESAs Opinion on the assessment of the Sustainable Finance Disclosure Regulation (18 June 2024).

13. Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

14. Final Report on Minimum Safeguards.

15. A Compendium of Market Practices: How the EU's Taxonomy and sustainable finance framework are helping financial and non-financial actors transition to net zero.

16. Monitoring Capital Flows to Sustainable Investments: Intermediate report.

17. Categorisation of Products under the SFDR: Proposal of the Platform on Sustainable Finance (December 2024).

18. Investing for Transition Benchmarks (ITBs) Report.

In contrast to the institutions and bodies we have discussed so far, **EFRAG is a private association and is not directly linked to the EU.** Its members include multiple stakeholders, particularly organisations involved in standardisation for financial reporting and sustainability.

In 2022, the European Commission tasked EFRAG with drafting the European Sustainability Reporting Standards (**ESRS**) related to the CSRD. As part of its activities, EFRAG has also been involved in several initiatives to help stakeholders understand these standards, including:

- Implementation guidance related to CSRD such as its guidance on materiality assessments¹⁹, value chain²⁰, ESRS data points²¹ and its draft guidance on climate transition plans for climate change mitigation²²; and
- The ESRS Q&A platform, which is designed to gather and address unresolved technical questions, thus aiding the implementation of the ESRS.

Beyond drafting guidance documents and non-authoritative answers to specific stakeholder questions on sustainability reporting, EFRAG is also actively involved in promoting accounting standards, ensuring that European views are properly considered in the International Accounting Standards Board (IASB)'s standard-setting process and related international debates. This work is done through its financial reporting pillar.

A.8 The Court of Justice of the European Union (CJEU)

The CJEU ensures that EU Law is interpreted and applied consistently across all Member States. Founded in 1952 and based in Luxembourg, the CJEU comprises two courts:

- **The Court of Justice** which handles requests for preliminary rulings from national courts, certain annulment actions, and appeals; and
- **The General Court** which deals mainly with annulment actions brought by individuals, companies, and sometimes EU governments. More recently, it has also been granted jurisdiction to issue preliminary rulings in specific areas.²³

The Court of Justice includes one judge from each Member State, ie a total of 27 judges, and 11 advocates general, while the General Court consists of two judges from each Member State, ie a total of 54 judges. Judges and advocates general serve six-year terms, and both courts are led by a president elected every three years.

The CJEU primarily resolves disputes between Member State governments and EU institutions to enforce EU Law. However, individuals and companies can also approach the CJEU if their rights are violated, for example in case of breaches of fundamental freedoms like the free movement of goods.

Key procedures handled by the CJEU include:

- **Interpretation of Law:** Clarifying EU Law when national courts are uncertain. As an example, cases C-37/20 and C-601/20²⁴ (Luxembourg Business Registers and Sovim) concerned a preliminary ruling procedure where questions were referred to the CJEU on the interpretation and application of the Anti-Money Laundering Directive.
- **Enforcement of Law:** Addressing infringement proceedings. For example, case C-543/17²⁵ dealt with Belgium's failure to implement the Markets in Financial Instruments Directive (MiFID II) on time, which prompted the European Commission to initiate an infringement procedure, which it won. A penalty of €5,000 per day was imposed on Belgium until it had complied with its obligations.
- **Annulment of EU Legal Acts:** Overturning EU legislative or regulatory acts (such as Decisions) that violate EU Law. By way of example, in case T-122/15²⁶, a decision of the European Central Bank (ECB) affecting a European bank was (unsuccessfully) challenged by that bank before the CJEU for being allegedly in breach of several EU regulations.
- **Ensuring Action:** Compelling EU institutions to fulfil their obligations.
- **Sanctions:** Defining penalties for EU institutions in case of violations.

19. EFRAG IG 1: Materiality Assessment Implementation Guidance.

20. EFRAG IG 2: Value Chain Implementation Guidance.

21. EFRAG IG 3: Detailed ESRS Datapoints and List of ESRS datapoints – Explanatory Note.

22. EFRAG IG [4]: Implementation Guidance [draft] Transition Plan for Climate Change Mitigation.

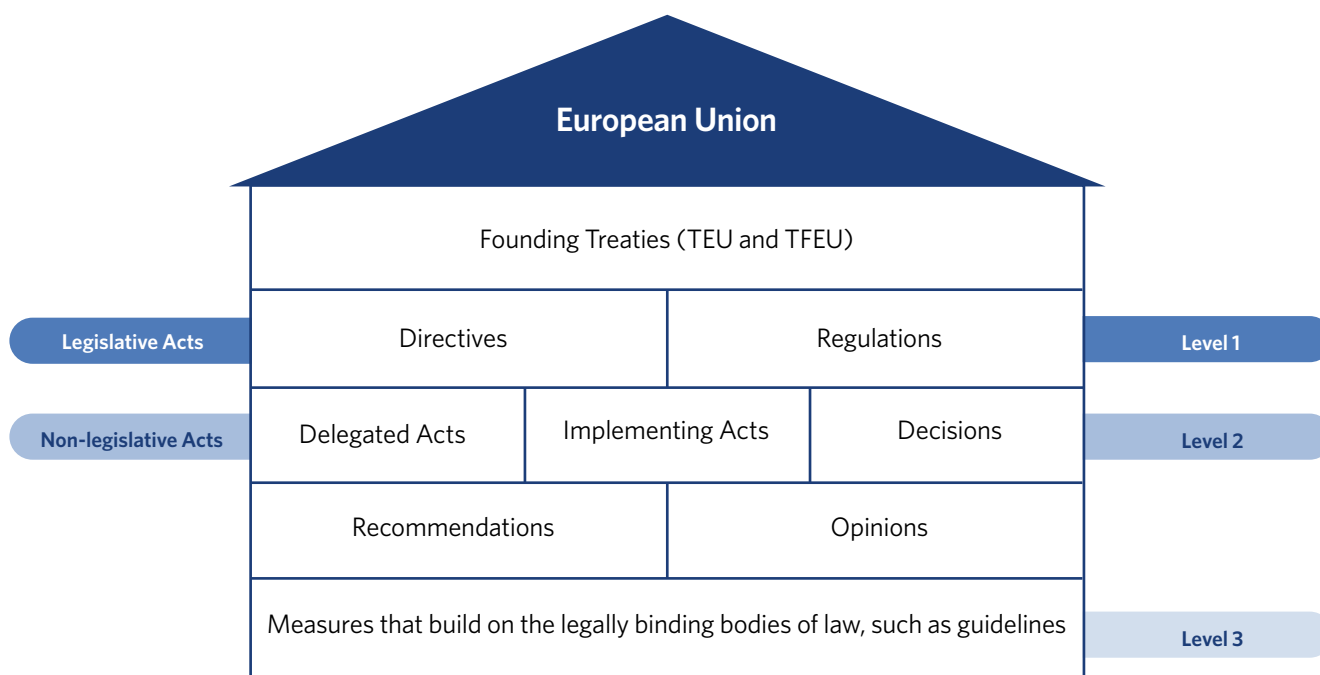
23. Article 50b of Regulation (EU, Euratom) 2024/2019 of the European Parliament and of the Council of 11 April 2024 amending Protocol No 3 on the Statute of the Court of Justice of the European Union.

24. Judgement of the Court (Grand Chamber) of 22 November 2022 in Joined Cases C-37/20 and C-601/20.

25. Judgement of the Court (Grand Chamber) of 08 July 2019 in Case C-543/17.

26. Judgement of the General Court of 16 May 2017 in Case T-122/15.

B. Main types of EU law



This chapter delves into the principal categories of EU Law, starting with the legal nature of the EU itself. As a supranational association of states, the EU derives its legislative power from the EU treaties, which serve as the bedrock for all forms of EU legislation.

Regulations are the EU's most far-reaching legislative instruments, applying directly and immediately in all Member States upon adoption. In contrast, directives set out objectives that Member States must achieve, but the Member States have the flexibility to determine how to implement them through national legislation (which is called "transposition").

Next, we explore delegated acts and implementing acts, which grant the European Commission the authority to supplement or amend legislation and ensure uniform application of EU Law. These acts are essential for adapting EU Law to evolving circumstances and maintaining consistency across Member States.

Decisions, the final category of legally binding instruments, are specific to their addressees and must be fully observed by them. Unlike regulations and directives, decisions are targeted and precise in their application.

The EU also uses instruments which are not legally binding, such as recommendations and opinions. These allow EU institutions to express their views and provide advice and they play a vital role in shaping policy and guiding actions without imposing legal obligations.

Following this overview of the types of EU legislation, we explain the four-level approach to regulation in the financial services sector to illustrate how different types of legislation interact and complement each other. Key elements of the EU legislative framework for financial services, such as the SFDR, the Taxonomy Regulation and the CSRD, all follow a levelled approach with high-level political decisions (Level 1) which are translated into detailed, technical rules (Level 2) that ensure versatility and uniform implementation across Member States.

B.1 Types of legislation

EU treaties

The EU is not a state, but rather an association of states, categorising it as a supranational legal entity. In the absence of state character, the EU requires a foundation from which it may draw its powers to act. This foundation is provided by the EU treaties, specifically the TEU and the TFEU. Member States agree to transfer certain competences to the EU through these treaties. A special feature of these treaties is that they enjoy direct validity and direct applicability, meaning they are part of the binding and enforceable legal order in all Member States.

The treaties lay down the objectives of the European Union, the rules for EU institutions, how decisions are made, and the relationship between the EU and its Member States. They have been amended from time to time to reform the EU institutions, give it new areas of responsibility, and allow new countries to join the EU.

The treaties are negotiated and agreed upon by all Member States and then ratified by their national parliaments, sometimes following a referendum. The EU can pass laws only in those areas where its Member States have authorised it to do so via the treaties. The treaties specify who can pass laws in a given policy area the EU, national governments, or both.

Sustainable finance touches upon several policy areas where both the EU and Member States can pass laws, such as the environment, transport, energy, justice, and fundamental rights. In these areas, the EU has what the treaties call shared competences. According to Article 288 of the TFEU, the EU institutions must exercise their competences by adopting regulations, directives, decisions, recommendations, and opinions.

Regulations

Regulations are legal acts that apply automatically, directly and uniformly to all EU countries as soon as they enter into force.

They are binding in their entirety on all Member States. **As they do not have to be incorporated into the legal system of a Member State by national laws**, Member States can neither influence what is written in a regulation nor when it applies. This makes regulations the most far-reaching instrument of the EU.

Example: Sustainable Finance Disclosure Regulation (SFDR)

The SFDR mandates financial market participants and financial advisors to disclose how they integrate sustainability risks and impacts into their investment decision-making processes.

- **Application:** As a regulation, the SFDR is directly applicable in all Member States. Its subjects, financial market participants and advisors, must fully comply with it.
- **Monitoring compliance:** National competent authorities monitor and enforce the SFDR, ensuring adherence to its disclosure requirements.
- **Enforcement:** Breaches of the SFDR by financial market participants can be addressed through domestic courts, with violations treated like any other breach of national law, allowing affected parties to seek enforcement and remedies through judicial proceedings.

Directives

Directives are legal acts which are binding, as to the result to be achieved, in the Member States to whom they are addressed (often all Member States), while leaving national authorities free to choose how to do so. The aim of directives is to harmonise laws across the EU to achieve specific outcomes, while preserving the autonomy of Member States regarding the form and methods used to achieve these outcomes.

Directives are less restrictive than regulations, as they are not directly applicable in Member States but must first be transposed into national law. This transposition can involve creating new laws or modifying existing ones to incorporate the directive's content. Transposition of directives into national law must occur by the deadline set when the directive is adopted, typically within two years. If a country fails to transpose a directive, the European Commission may initiate infringement proceedings. However, until transposed by national law, the directive will not apply in the respective Member State, even if the Member State is subject to an infringement proceeding. Nevertheless, provisions of a directive may be relied upon by an individual against the relevant Member State where that Member State fails to implement the directive in national law by the end of the transposition period or where it fails to implement the directive correctly, if the provision of the directive is unconditional and sufficiently precise.²⁷

It is important to distinguish between minimum and maximum (or full) harmonisation requirements in directives. In the case of minimum harmonisation, a directive sets minimum standards, meaning Member States can introduce stricter measures if they do not counteract harmonisation (often called "goldplating"). In the case of maximum harmonisation, Member States must introduce rules with both minimum and maximum standards set in the directive. **Therefore, investors active in Europe should always check not only the wording of the directive but also the implementing laws in the Member States where they are incorporated or active to understand their obligations fully.**



27. Judgment of the Court of 10 April 1986 — Case 152/84, *Marshall v Southampton and South-West Hampshire Area Health Authority (Teaching)*, para. 46.

B. Main types of EU law

Example of infringement procedures

The CSRD illustrates the steps the European Commission may take when a directive is not implemented in time or in line with minimum harmonisation requirements. The CSRD, which introduces new rules for reporting sustainability information by companies, was to be applied from financial years starting on or after 1 January 2024. However, Sweden's national transposing measures required companies to start reporting from 1 July 2024, which is six months later and not in compliance with the CSRD.

In July 2024, the European Commission sent a formal notice to Sweden, initiating infringement procedures due to their failure to fully transpose the CSRD into national law. Sweden had two months to respond but did not amend its national transposing measures. Consequently, on 16 December 2024, the Commission sent a reasoned opinion to Sweden for failing to align its legislation with the CSRD. Sweden was given two months to address the shortcomings. If they fail to do so, the Commission may refer the case to the CJEU who can order the Member State to comply or face potential fines. As of April 2025, there is no public record of the Commission referring the case to the CJEU.

Additionally, on 30 September 2024, the European Commission sent letters to 17 EU Member States, initiating infringement procedures for their failure to fully transpose the CSRD within the required deadline of 6 July 2024.

Delegated acts

Delegated acts are non-legislative but legally binding instruments that allow the European Commission to supplement or amend non-essential parts of EU legislative acts based on powers granted in the respective legislative act. These acts can be used to define detailed measures of legislation without altering the fundamental elements of the primary legislation. They are also employed when legislation and its annexes need to be updated to reflect current developments.

The European Commission adopts the delegated act. It enters into force if neither the European Parliament nor the Council objects within a certain period of time (the "scrutiny period", typically 2 to 3 months).

In the realm of sustainable finance, delegated acts are prevalent. This is primarily because frameworks like the SFDR and the EU Taxonomy need to adapt to evolving market practices, technological advancements, and new scientific knowledge. Additionally, delegated acts are employed to further specify the content, methodology, and presentation of information that financial and non-financial undertakings must disclose under these regulations.

Specific examples of delegated acts include the **Climate Delegated Act** which supplements the Taxonomy Regulation, by establishing technical screening criteria for economic activities that contribute to the objectives of climate change mitigation and adaptation under the Taxonomy Regulation, and the **Environmental Delegated Act** which supplements the Taxonomy Regulation, by establishing the technical screening criteria for economic activities that make a substantial contribution to non-climate environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems).

Implementing acts

Implementing acts are legally binding instruments that enable the European Commission, under the supervision of committees consisting of representatives from Member States, to set conditions ensuring the uniform application of EU Law. A unique feature of implementing acts is that citizens and other interest groups can provide feedback on a draft implementing act for four weeks before the responsible committee votes on its adoption or rejection.

Implementing acts are primarily used in areas where harmonised conditions for implementation are required, such as taxation, agriculture, the internal market, and health and food safety.

Decisions

A "decision" is a binding legal act that applies directly to those to whom it is addressed. Decisions can have a specific addressee, such as a particular Member State, company, or individual, and are binding only on them. For example, when the European Commission decides to impose a fine on a company for abusing its dominant market position, it addresses its decision to that company. Decisions addressed to specific individuals or companies have direct effect and can be invoked before national courts by the addressees.

In some cases, decisions may not specify an addressee and are considered to have a general application. These decisions are part of the EU's secondary law and are adopted by the EU institutions in accordance with the treaties.

Recommendations

A "recommendation" is not binding. Recommendations allow EU institutions to express their views and suggest a course of action without imposing any legal obligation on those to whom they are addressed. They are particularly useful in the legislative process for incorporating diverse opinions and expertise.

A relevant example of a recommendation is the **Commission Recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy**²⁸. This recommendation aims to assist market participants in obtaining or providing transition finance by offering practical guidance on how to approach it. It clarifies the concept of transition finance, emphasizes its importance in achieving a sustainable economy and encourages market participants to voluntarily use the EU's sustainable finance framework.

Opinions

An "opinion" is an instrument that allows EU institutions to make a statement without imposing any legal obligation on the subject of the opinion. It has no binding force. Opinions are used by EU institutions in advisory matters, such as when a new member state is to be admitted and the European Commission is asked for its position on the matter. In addition to this example, opinions serve various other purposes.

A concrete example is **ESMA's opinion on the functioning of the EU Sustainable Finance Framework**²⁹. In this opinion, ESMA highlights the positive aspects it has identified, such as safeguards against greenwashing. Simultaneously, the opinion looks ahead to identify areas for improvement, including facilitating investor access to sustainable investments and supporting the effective functioning of the sustainable investment value chain.

B.2 Levels of regulation in financial services

The regulatory process for financial services within the EU has undergone significant evolution over the years. The EU legislative process for financial regulation is structured around the 'Lamfalussy' approach, which was adopted in 2001. This approach organises financial legislation into a 'tiered framework', distinguishing between high-level primary measures and more technical secondary measures. Consequently, the EU legislative process for binding financial regulation results in the creation of 'Level 1' and 'Level 2' measures. This process has evolved following the establishment of the ESFS and the creation of the ESAs, in particular after the de Larosière report in 2009, which was aimed at reforming the European financial supervisory framework in response to the global financial crisis and developing a harmonised set of standards, known as the "single rulebook" for the financial sector.



Graph 4: Description of the tiered framework for financial regulation

28. [Commission Recommendation \(EU\) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy](#).

29. [ESMA Opinion Sustainable investments: Facilitating the investor journey – A holistic vision for the long term](#), 27 July 2024.

B. Main types of EU law

Level 1 measures

Level 1 measures are characterised by their role in forming a framework for high-level political decisions on core elements of financial regulation. These measures take the form of directives or regulations and are adopted by the co-legislators, namely the European Parliament and the Council.

The primary purpose of Level 1 legislation is to set out the fundamental principles and objectives of the legislation, leaving the detailed technical rules to be developed later.

In addition to the Taxonomy Regulation and SFDR mentioned in previous sections, the Corporate Sustainability Due Diligence Directive (CSDDD) is also a Level 1 measure. It sets out the main principles for companies to adhere to in relation to due diligence and transition plans.

Level 2 measures

Level 2 measures translate Level 1 measures into detailed technical rules. These measures are adopted by the European Commission, with the European Parliament and Council holding only veto powers. The European Commission can only act if the relevant Level 1 measures adopted by the co-legislators provide it with a specific mandate to draw up Level 2 measures.

Level 2 measures can be categorised into two main types: 'delegated' Level 2 measures, which have a quasi-legislative character and are intended to supplement or amend non-essential elements of Level 1 measures; and 'implementing' Level 2 measures, which are more technical and aim to ensure uniform implementation conditions. A specific type of Level 2 measure, known as Binding Technical Standards, follows a unique procedural path as they are proposed by the ESAs and adopted by the European Commission.

An example of Regulatory Technical Standards (**RTS**) adopted through a delegated act is the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 which supplements the SFDR with RTS specifying the details of the content and presentation of information related to the 'do no significant harm' principle, sustainability indicators, adverse sustainability impacts, and the promotion of environmental or social characteristics in pre-contractual documents, websites, and periodic reports.

An example of Implementing Technical Standards (**ITS**) adopted through an implementing act is the Commission Implementing Regulation (EU) 2024/1820 of 1 July 2024 which supplements Solvency II. It aims to determine the mapping of credit assessments by external credit assessment institutions to an objective scale of credit quality in accordance with Solvency II.

Level 3 and 4 measures

Level 3 measures include guidelines, recommendations, Q&As, FAQs and opinions, which play a crucial role in aligning supervisory practices across the EU. Whereas Level 2 measures may only be initiated by the European Commission or the ESAs if they are specifically empowered to do so through Level 1 legislation, the ESAs have the general power to initiate Level 3 measures under Articles 16 and 29 of the ESAs Regulations, their respective founding regulations. These measures build on the legally binding Level 1 and Level 2 regulations. ESAs are generally required to conduct written consultations with interested parties, including market participants, consumers, and other end-users. Stakeholder feedback must be taken into consideration when Level 3 measures are drafted.

Although not legally binding, the ESAs Regulations require competent authorities and financial market participants to "make every effort" to comply with these guidelines and recommendations, meaning they cannot simply ignore them. When an ESA issues guidelines or recommendations, competent authorities must inform the ESA whether they comply or intend to comply, and if not, provide reasons. Financial market participants may also be required to report on their compliance with Level 3 measures.

An example of a Level 3 measure is the ESMA Guidelines on funds' names using ESG or sustainability-related terms. These guidelines were introduced in response to the increasing use of sustainability-related terminology in fund names, which has raised concerns about greenwashing and misleading representation. EU fund managers and managers of funds marketed into the EU will need to comply with minimum sustainability requirements when using such terms.

Level 4 measures involve the enforcement of EU Law by the European Commission. These measures ensure that Member States comply with EU Law that is applicable to them. The European Commission oversees the application of EU Law and can initiate infringement proceedings in the CJEU against Member States that fail to meet their obligations under EU Law.



C. Main types of legislative procedures

The EU legislative process actively involves all three main EU institutions: the European Parliament, the Council, and the European Commission.

The European Commission holds the primary responsibility for initiating most EU legislation through its right of initiative, making it the main driver of EU sustainability policy. The European Parliament is a co-legislator with the Council in many areas through the ordinary legislative procedure (formerly known as co-decision).

Once the European Commission issues a legislative proposal, it is reviewed by both the European Parliament and the Council. The most common procedure for this review, used for decisions related to sustainable finance, is the ordinary legislative procedure, where the European Parliament and the Council act as co-legislators and must both agree on the legislation. In addition to the ordinary legislative procedure, there are other legislative procedures, such as the special legislative procedure, which are only used in specific cases and involve different levels of involvement from the EU institutions.

National parliaments also play an important role in the legislative process. The European Commission's proposal is forwarded to them to assess its compatibility with the principle of subsidiarity, ensuring that issues are addressed at the most appropriate level, whether national or EU. Upon receipt of a legislative proposal, national parliaments have eight weeks to issue a reasoned opinion if they consider that the draft legislation is in breach of national competences. If at least one-third of national parliaments object, the proposal must be reviewed. If a simple majority objects, the proposal is subject to a more stringent review and the legislative proposal is halted.

Under the ordinary legislative procedure, a legislative text may go through up to three readings in the European Parliament and can come into effect only if the European Parliament and the Council reach agreement on the final wording. Section C.2 below describes the ordinary legislative procedure in more detail.

In sustainable finance, Level 1 legislation frequently provides the European Commission with a mandate to adopt "Level 2 measures" either through delegated or implementing acts. Section C.3 below describes how the legislative procedure for the adoption of such Level 2 measures differs from the ordinary legislative procedure for the adoption of Level 1 measures.

C.1 Planning and initiating the EU legislative procedure

The EU adopts a structured approach to lawmaking, beginning with the European Commission's annual work programme, which is adopted by the European Commission each October. The European

Commission's annual work programme is the first preparatory work for planning and launching the EU legislative process. It provides a roadmap for the legislative objectives to be tackled in the course of the work programme. In preparing its work programme the European Commission needs to consider the political priorities of the Member States (expressed through the Council) and the European Parliament. While the European Commission is legally the "agenda-setter," the agenda-setting process is, in political terms, a collaborative effort between the European Commission, the Council, and the European Parliament. Following the adoption of the European Commission's annual work programme, the three institutions negotiate to adopt a joint declaration in December, outlining their agreed legislative priorities.

The joint declaration is the last step in the development of the work programme, the European Commission then implements it by developing legislative proposals using its right of initiative. During the preparation phase, the European Commission typically conducts stakeholder consultations and impact assessments to evaluate the need for EU action and analyse the potential impacts of different policy options.

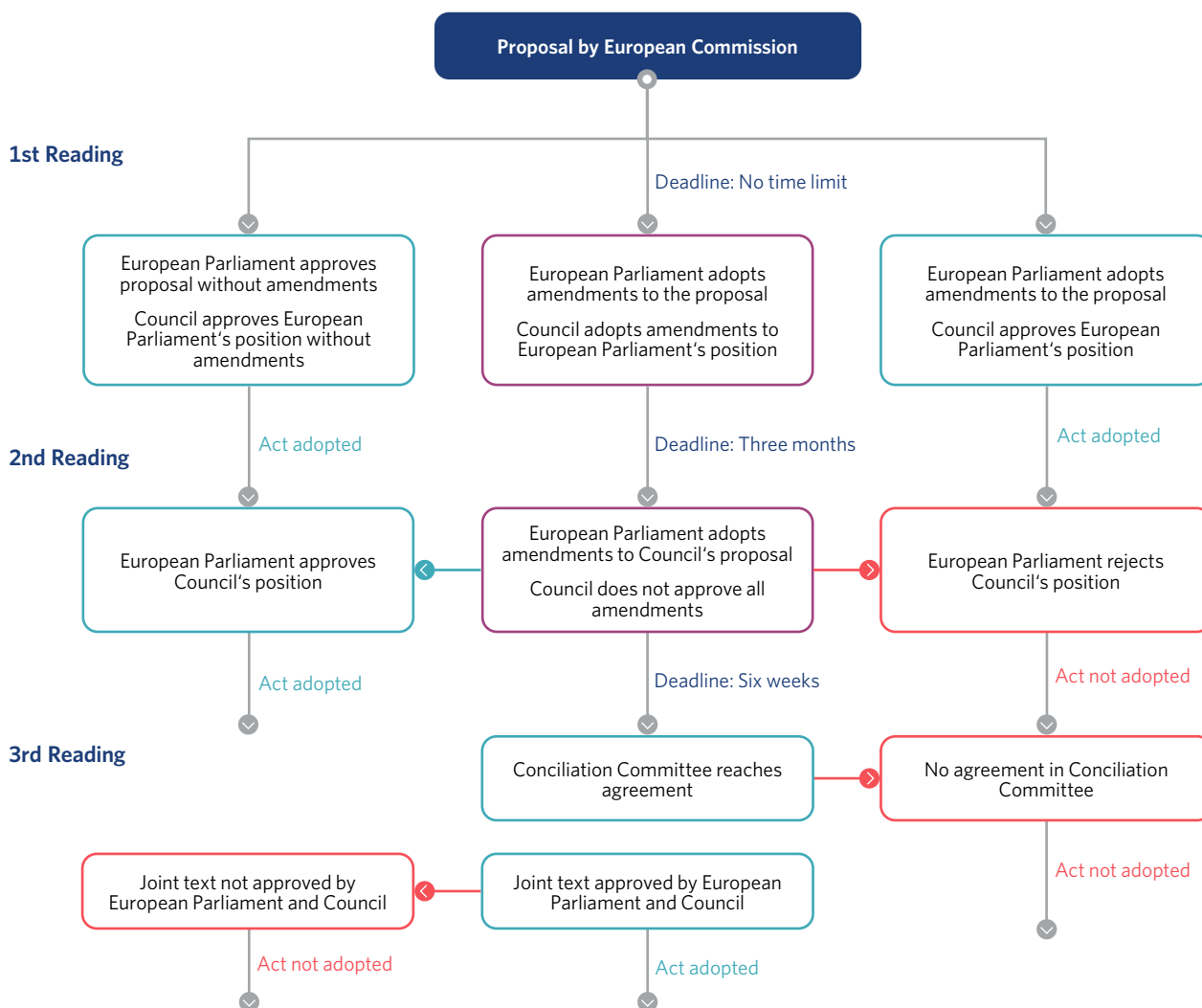
C.2 Level 1 measures: The stages of the ordinary legislative procedure

The ordinary legislative procedure begins with the European Commission adopting a legislative proposal and submitting it to the Council and the European Parliament. Simultaneously, the proposal is forwarded to national governments and relevant advisory bodies.³⁰



30. In certain cases, the law requires advisory bodies to be consulted as part of the ordinary legislative procedure. These are the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR), which must be consulted when the legislative proposal is related to their respective areas of interest and policy. The European Parliament cannot adopt its position at first reading before receiving their opinions.

C. Main types of legislative procedures



The process at the European Parliament and the Council then unfolds as follows:

- **European Parliament:** The European Parliament assigns one or more committees (see Chapter A.2.) to review the proposal and prepare its position. The assigned committee, led by an appointed rapporteur, drafts a report recommending whether the European Parliament should adopt the proposal or make amendments. The European Parliament considers this report during a plenary session (see Chapter A.2.) in the first reading and adopts its position by a simple majority vote.

- **Council:** The Council also reviews the proposal and formulates its position. For sustainable finance policies, the ECOFIN or ENVI Council configuration is typically involved. Although the Council may only adopt its position after the European Parliament has acted, the institutions are encouraged to exchange information on the progress and timetable of negotiations. One way this is achieved is through the Council reaching a political agreement among Member States on the proposal and any amendments, known as the "general approach." This general approach provides the European Parliament with an indication of the Council's stance before the European Parliament's first reading of the Commission proposal. Decisions on sustainable finance, environment, and energy often require a double-qualified majority (as explained in Chapter A.3.)

After the European Parliament adopts its position in the first reading, the Council can either accept the European Parliament's position, leading to the adoption of the legislative act, or amend the European Parliament's position and return the proposal for a second reading. During the second reading, both the European Parliament and the Council can propose further amendments. The European Parliament can also block the proposal if it disagrees with the Council.

If no agreement is reached after the second reading, the proposal is referred to a Conciliation Committee, which attempts to resolve any inconsistencies. If the Conciliation Committee's proposal is acceptable to both the European Parliament and the Council, as established in a third reading, the proposal is adopted. If no agreement is reached, the legislative initiative is considered unsuccessful, and the European Commission must submit a new proposal.

In practice, the European Parliament, Council, and European Commission often seek to reach an agreement at the first reading, avoiding the second reading stage. In such cases, trilogue negotiations are arranged, involving a limited number of representatives from the European Commission, European Parliament, and Council. These informal negotiations aim to reconcile differing views and priorities and expedite the legislative process. During the 2014-2019 legislative term, over 89% of legislative procedures concluded at the first reading.

Once the Council approves the position adopted by the European Parliament in the first reading (or an agreement is reached if the proposal goes to the second reading), the text is reviewed for consistency by specialist lawyer-linguists, translated into the 24 official languages, signed by the Presidents of the European Parliament and the Council, and published in the EU Official Journal. The legislative act enters into force on the date specified in the relevant act. Note that the date on which the act 'Entry into force and application' and the date on which some or all of the act is applicable for the first time are usually different (directives and regulations usually include an "Entry into force and application" clause which distinguished these two dates and explains which effect they have on the provisions in the respective act).

The role of national governments

In parallel to providing the legislative proposal to the European Parliament and the Council of the European Union, the European Commission forwards its legislative proposals to national parliaments, which assess the proposal's compatibility with the principle of subsidiarity. This means they evaluate whether the issue would be better addressed at the Member State level rather than the EU level. National parliaments have eight weeks to issue a reasoned opinion if they believe the draft legislation infringes on national competencies. If at least one-third of national parliaments

object, the proposal must be reviewed ("yellow card"). If a simple majority objects, the proposal undergoes a more stringent review ("orange card"). The European Commission can maintain, amend, or withdraw the proposal, but must justify its decision if it chooses to proceed. The European Parliament and Council then assess the proposal's compliance with the principle of subsidiarity.

Deadlines in the ordinary legislative process

The average time for a European Commission proposal to be adopted at the first reading, from publication to signature, was just below 18 months during the 2014-2019 legislative term. A short overview of the deadlines of the various stages of the legislative process is set out below:

First Reading deadlines:

- There is no fixed deadline for the first reading by the European Parliament and Council in the ordinary legislative procedure.
- As set out above, national parliaments have eight weeks to express their concerns about compliance with the principle of subsidiarity. The European Commission can then maintain, amend, or withdraw the proposal.

Second Reading deadlines:

- Each institution has three months to address a proposal during the second reading, with a possible extension of one month.
- If no agreement is reached, the proposal is referred to the Conciliation Committee, which must be convened within six weeks, extendable to eight weeks.
- The Conciliation Committee then has six weeks to agree on a joint text. The joint text consists of the outcome of the negotiations between the two co-legislators within the Conciliation Committee.

Third Reading deadlines:

- If a third reading follows after the Conciliation Committee has proposed a joint text, both the European Parliament and the Council must act within six weeks from the approval date of the joint text.

The absence of a fixed deadline for the first reading could raise concerns about potential delays. In theory, a proposal could be postponed or not put on the agenda. However, in practice it is unlikely that the EU institutions will remain inactive. Moreover, if an EU institution fails to define its position within two months of being called upon to act, any natural or legal person can bring an action before the CJEU based on Article 265 of the TFEU.

C. Main types of legislative procedures

C.3 Level 2 measures: Decision-making process for implementing and delegated acts

To start with a quick reminder – the Lamfalussy approach organises financial legislation into a 'tiered framework', distinguishing between high-level Level 1 measures and more technical Level 2 measures, as described in "Level 2 measures" above. Level 2 delegated and implementing acts follow different legislative processes to the ordinary legislative procedure described above.

Delegated acts

Delegated acts allow the European Commission to supplement or amend certain non-essential elements of Level 1 legislation. The European Commission's mandate to adopt delegated acts in areas requiring further detail derives from the Level 1 legislation. This legislation will also indicate whether the European Parliament and the Council are empowered to revoke the delegation or object to the delegated acts. In financial services legislation, the European Parliament and the Council typically retain the power to revoke the delegation and to object to the delegated acts.

The typical legislative process for delegated acts includes several key steps:

- 1. Technical advice and public consultation:** The European Commission may seek technical advice from one or more ESAs before adopting the delegated act. The ESAs usually conduct a public consultation before submitting their technical advice to the European Commission (see C.4 below). Additionally, the European Commission may consult with other experts and has committed to a four-week public consultation period before adopting delegated acts (subject to limited exceptions).
- 2. Adoption and submission:** Once its preparatory work is complete, the European Commission adopts the delegated act and sends it to the European Parliament and the Council for consideration. The Level 1 legislation under which the delegated act is being adopted typically specifies a defined period within which the European Parliament and the Council may object to the delegated act (the "non-objection period").
- 3. Non-objection period:** The non-objection period in the adoption of delegated acts in the EU typically lasts for two months. This period can be extended once by an additional two months if necessary. If neither institution objects within this timeframe, the delegated act enters into force on the date specified in the delegated act (normally 20 days after publication). If either the European Parliament or the Council objects to a delegated act within the non-objection period, the act does not enter into force. The objection effectively acts as a veto. In such cases, the European Commission can either amend the delegated act to address the concerns raised or withdraw it entirely.

Implementing acts

Implementing acts allow the European Commission, under the supervision of committees of Member State representatives, to lay down conditions to ensure the uniform application of EU Law and to provide detailed rules for the application of the Level 1 legislative act where uniform conditions are required across the EU, such as practical tools like databases, data transmission, or rules on agricultural prices.

Unlike delegated acts, the European Parliament and the Council are not directly involved in the adoption of implementing acts. The typical legislative process for implementing acts includes several key steps:

- 1. Drafting and Consultation:** The European Commission drafts the implementing act and publishes it for consultation. A unique feature of implementing acts is that citizens and other stakeholders can usually provide feedback on a draft implementing act for four weeks on the "[Have your say](#)" portal before the relevant committee votes on its adoption or rejection. There are some exceptions, for example in cases of urgency or where citizens and stakeholders have already contributed (see C.4 below).
- 2. Committee Examination:** The draft implementing act is then examined by a committee comprised of representatives of the Member States. These committees, often called 'comitology committees', play a supervisory role and ensure that the European Commission's proposals are in line with Member States' interests.
- 3. Voting and Adoption:** After scrutiny, the committee votes on the draft implementing act. The voting procedure may vary depending on the specific legislative framework, but generally a qualified majority is required for adoption. If the committee approves the draft, the implementing act is adopted and becomes legally binding. In the event that the implementing act is rejected by vote, it will not be introduced. However, the European Commission has the option of submitting an appeal to an appeal committee within one month of the rejection or sending a revised version of the same draft back to the committee within two months.

Technical standards

Unlike ordinary delegated and implementing acts, where the European Commission leads the drafting process, technical standards are drafted by the ESAs and the procedure for adopting these technical standards is regulated by the ESA Regulations. Level 1 legislation typically mandates the relevant ESA to draft these standards and submit them to the European Commission by a specified date. The ESAs conduct public consultations before finalising their drafts to ensure broad input and transparency (see C.4 below).

For Regulatory Technical Standards (RTS), once the European Commission receives the final drafts from an ESA, it forwards these drafts to the European Parliament and the Council. These bodies have a set period (usually one month, extendable by another month) to object. If no objections are raised, the RTS are published in the Official Journal and enter into force. If the European Commission wishes to amend the drafts, it must first return them to the relevant ESA for revision. The ESA then has six weeks to resubmit the amended drafts.

Implementing Technical Standards (ITS) follow a similar process but do not involve the European Parliament and the Council in the review. Once the European Commission receives the draft ITS from the relevant ESA, it has three months (extendable by an additional month) to decide whether to adopt them with or without amendments. Once adopted, the ITS are published in the Official Journal and become legally binding without further review by the European Parliament or the Council.

C.4 Stakeholder engagement

Stakeholder engagement is a cornerstone of the EU's decision-making process and specifically required under Article 11 TEU. The involvement of stakeholders over the entire lifecycle of a piece of legislation ensures that the legislative process is transparent, inclusive, and reflective of diverse perspectives.

Stakeholders must be able to give feedback on:

 Type of stakeholder consultation	 Consultation period
Impact assessments, evaluations and fitness checks on initiatives accompanied by a public consultation	Period of 12 weeks
Initiatives not accompanied by a public consultation	Period of 4 weeks
Draft delegated and implementing acts	Period of 4 weeks, with exceptions available eg in case of urgent action or little added value of feedback
Legislative Proposals and, where applicable, accompanying final impact assessments	Period of 8 weeks
Existing Legislation	At any time via the 'Have Your Say: Simplify!' website

The EU employs various mechanisms to engage stakeholders throughout the legislative process. The primary form of engagement is through consultations, which can take several forms:

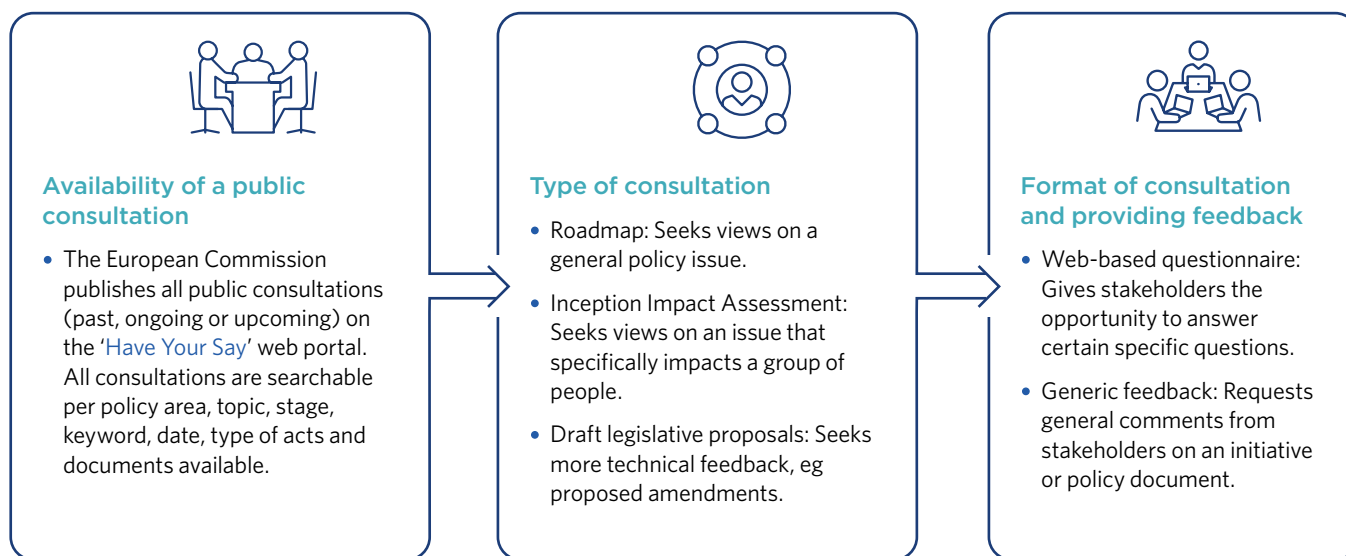
- 1. Public consultations:** Open to all citizens and organisations, these consultations allow stakeholders to provide their views on, for example, initial 'roadmaps' and 'inception impact assessments' at the very start of a new legislative initiative. Public consultations can also be held following the adoption of any proposal by the European Commission or the ESAs, the publication of draft delegated and implementing acts and once legislation has entered into force.
- 2. Targeted consultations:** These are directed at specific groups or sectors that are particularly affected by a proposed policy and may take the form of a workshop or hearing or a questionnaire with specific questions that the European Commission or the ESAs seek stakeholders' views on.

C. Main types of legislative procedures

Citizens and stakeholders have various options to actively participate in the EU's consultation processes to influence sustainable finance policies, with the most important ones being:

- 1. Responding to public consultations:** Citizens and stakeholders can submit their feedback on relevant legislative proposals through the European Commission's '[Have your say](#)' [consultation portal](#), where all initiatives with corresponding consultations and calls for evidence can be viewed.
- 2. Participating in workshops and hearings on initiatives that impact them (directly or via industry associations):** Participating in these events allows stakeholders to engage directly with policymakers and other stakeholders. In some instances, this participation will be by invitation only.
- 3. Submitting position papers:** Associations representing groups of stakeholders (for example the GIIN) can draft and submit position papers outlining their views and recommendations on specific policy issues or legislative proposals.

Contribution to a public consultation



The Better Regulation Toolbox³¹ provides minimum standards for consultations. Inter alia, it includes the requirement that adequate feedback should be given on how the consultation results have been taken into account by the consulting entity.

31. Better regulation refers to a framework aimed at ensuring that political decisions are made transparently, informed by the best available evidence, and involve comprehensive stakeholder engagement. The European Commission's better regulation agenda focuses on creating simpler, lighter, and faster regulations to enhance Europe's competitiveness. The [Better Regulation Toolbox, July 2023](#) provides guidance to European Commission services involved in preparing new initiatives and proposals, or managing and evaluating existing legislation.

D. Case studies from the EU sustainable finance framework

This chapter explores three pivotal EU regulations that form the backbone of sustainable finance: the Taxonomy Regulation, the CSRD and the CSDDD.

These case studies illustrate the practical application of the theoretical concepts discussed in the previous chapters. We will examine the legislative process, identify the various entities involved in shaping these regulations, and analyse the timeframes required for their development.

D.1 Legislative process and background of the taxonomy framework

The Taxonomy Regulation, formally known as Regulation (EU) 2020/852, was established to create a unified classification system for economic activities that substantially contribute towards a sustainable economy. The Regulation emerged from the need to overcome the lack of consistent benchmarking and common standards in the green investment market. By assessing core activities for their sustainability against objective metrics, the Taxonomy Regulation aims to facilitate the flow of capital towards environmentally friendly activities, helping investors make better-informed decisions.

The Taxonomy Regulation is closely linked to the European Green Deal, which aims to make Europe the first climate-neutral continent by 2050. One of the essential elements to achieving this goal is boosting private sector investment in green and sustainable projects. This led to the European Commission establishing a High-Level Expert Group (HLEG) on Sustainable Finance, which published its final report on 31 January 2018, titled "Financing a Sustainable European Economy"³² (**HLEG Final Report**). This report

set out strategic recommendations for creating a financial system that supports sustainable investments. It emphasised the need for a technical classification system to establish transparency on which activities qualify as "green" or "sustainable". Following the HLEG's recommendations, the European Commission introduced its Action Plan on Financing Sustainable Growth in March 2018. This plan included the approach of reorienting capital flows towards sustainable investment to achieve sustainable growth. The European Commission also announced in its Action Plan the formation of a Technical Expert Group on Sustainable Finance (**TEG**) to assist in developing a unified classification system for sustainable economic activities and methodologies for low-carbon indices.

The legislative process

The journey of the Taxonomy Regulation began with the European Commission's proposal on 24 May 2018. This proposal was accompanied by an impact assessment and built on the recommendations from the HLEG Final Report. It also incorporated feedback from stakeholders gathered through a public consultation on the HLEG's interim report and targeted interviews with financial institutions.

The proposal then entered the ordinary legislative procedure, being forwarded to various institutions and committees for consultation. Among these were the ECB, which chose not to issue an opinion, and the Committee of the Regions (**CoR**), which did issue an opinion because the main topics, energy and climate change, were relevant to local and regional governments.

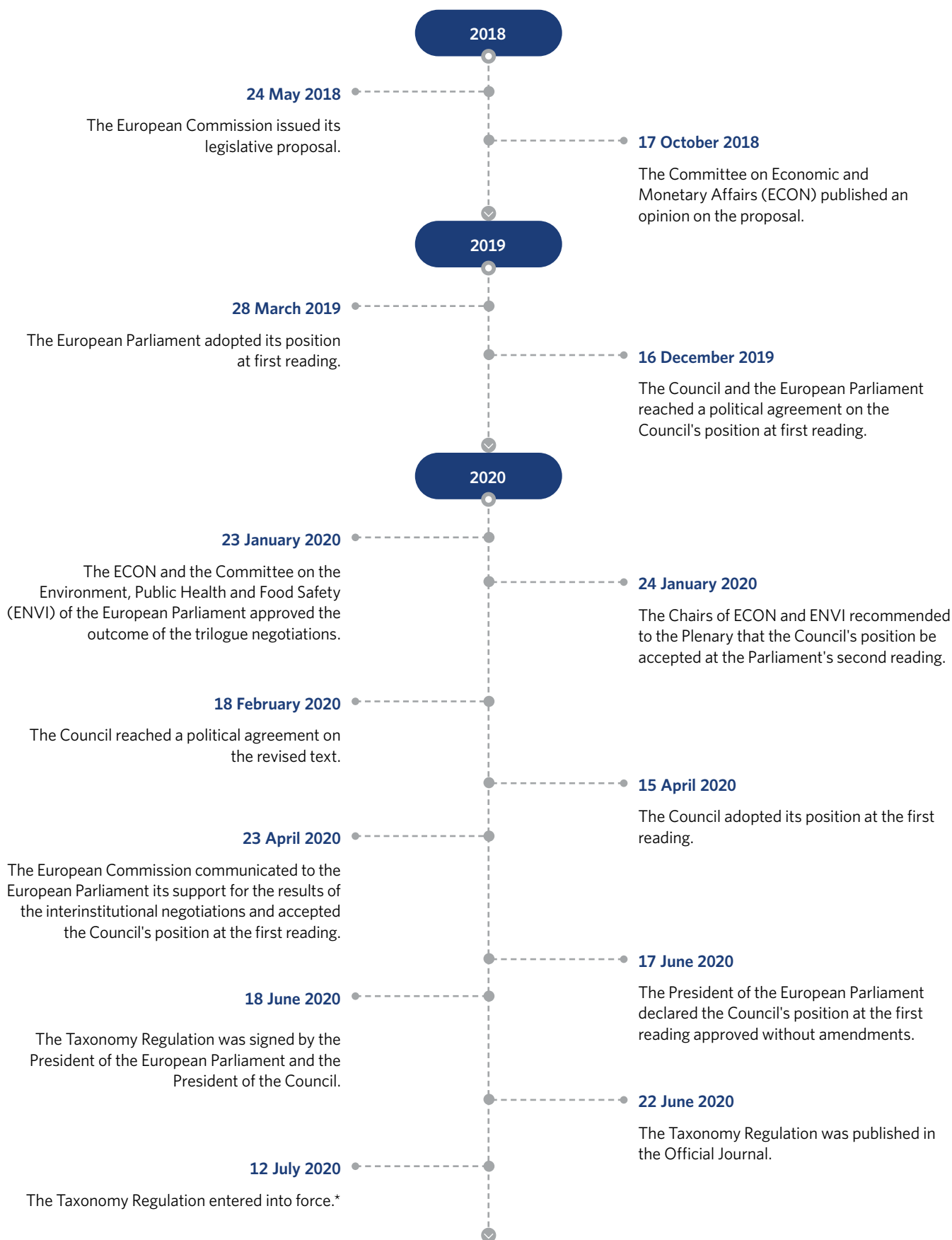
The ECON reviewed the proposal and published an opinion on 17 October 2018 that predominantly welcomed it.



32. HLEG, "Financing a Sustainable European Economy Final Report 2018".

The sequence of events and key dates in the legislative process include:

Taxonomy



* The Taxonomy Regulation has a phased approach to application dates. The first obligations became applicable on 1 January 2022, with subsequent requirements being introduced over time.

Establishment of the platform on sustainable finance

Article 20 of the Taxonomy Regulation mandates the European Commission to establish the Platform on Sustainable Finance (PSF). The PSF has several key tasks, including:

- Advising the European Commission on technical screening criteria;
- Monitoring trends in sustainable investment; and
- Providing recommendations to enhance data quality, usability, and policy coherence in sustainable finance.

Additionally, the Taxonomy Regulation requires the European Commission to consult the PSF on the technical screening criteria.

Delegated acts

The Taxonomy Regulation mandates the European Commission to define technical screening criteria for environmentally sustainable activities within a specified timeframe. The content of the technical screening criteria is based on recommendations from the TEG. The TEG published its final report on 9 March 2020, following interim reports in December 2018 and June 2019. These technical screening criteria are established through delegated acts (Level 2 measures), which were developed by the Directorate-General for FISMA, following the conduct of inception impact assessments and public consultations:

- **Climate Delegated Act:** This act includes technical screening criteria for economic activities that significantly contribute to climate change mitigation and adaptation. It has been in effect since 1 January 2022. The act was amended by Delegated Regulation (EU) 2023/2485, which introduced additional criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or adaptation, and for assessing whether these activities cause significant harm to other environmental objectives. This amendment has been effective since 1 January 2024.

- **Disclosures Delegated Act:** This act supplements Article 8 of the Taxonomy Regulation by specifying the content, methodology, and presentation of information to be disclosed by financial and non-financial undertakings regarding the proportion of environmentally sustainable economic activities in their business, investments, or lending activities. It has been in effect since 1 January 2022.
- **Complementary Climate Delegated Act** (Delegated Regulation (EU) 2022/1214): This act amends the Climate Delegated Act and the Disclosures Delegated Act to include specific nuclear and gas energy activities under strict conditions. These criteria align with EU climate and environmental objectives and aim to accelerate the transition from solid or liquid fossil fuels, including coal, towards a climate-neutral future. It has been in effect since January 2023.
- **Environmental Delegated Act:** This act establishes technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems. It also amends the Disclosures Delegated Act regarding specific public disclosures for these economic activities. It has been in effect since 1 January 2024.

Article 23(6) of the Taxonomy Regulation established a four-month "non-objection" period for the European Parliament and the Council. As explained in section C.3.1 (Delegated Acts), if neither institution objects during this period, the delegated act is adopted. Neither institution objected to any of the delegated acts.

Ongoing work

To facilitate the implementation of the Taxonomy Regulation, the European Commission issued several guidance documents (Level 3 measures), in the form of FAQs on the Taxonomy Regulation and its Delegated Acts³³. It also launched an IT tool (the EU Taxonomy Compass) to facilitate implementation. The tool allows users to navigate easily through the contents of the Climate Delegated Act.

33. These are: "Questions and Answers: Taxonomy Climate Delegated Act and Amendments to Delegated Acts on fiduciary duties, investment and insurance advice" (April 2021), "FAQ: What is the EU Taxonomy Article 8 delegated act and how will it work in practice?" (April 2021), "FAQs: How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act?" (December 2021), "Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets" (February 2022), "Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting by non-financial undertakings of Taxonomy-eligible and Taxonomy-aligned economic activities" (December 2022), "Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act" (December 2022), "Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation" (July 2023) "Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets" (December 2023) and "Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Environmental Delegated Act, the EU Taxonomy Climate Delegated Act and the EU Taxonomy Disclosures Delegated Act" (November 2024).

D. Case studies from the EU sustainable finance framework

In addition, the Taxonomy Regulation recognised that the Taxonomy Framework is not meant to be static; it must be regularly revised to incorporate the latest scientific research and industrial innovations. The PSF continues to play a crucial role in the ongoing development and refinement of the Taxonomy Regulation. The Platform has issued several reports, including a Compendium of Market Practices³⁴ and its Report on Simplifying the Taxonomy³⁵. Additionally, the PSF has organised webinars to discuss these reports and gather further stakeholder feedback. These efforts aim to enhance the usability and effectiveness of the Taxonomy Regulation, ensuring it remains a robust tool for promoting sustainable finance.

Finally, the package of proposals to simplify EU rules issued by the European Commission on 26 February 2025 ("**Omnibus Package**") includes proposals to amend the Taxonomy Framework, as well as the CSRD and the CSDDD (see D.2 below and D.3 below).

D.2 Legislative process and background of the CSRD

The CSRD, formally known as Directive (EU) 2022/2464, was established to enhance transparency, improve accountability, support sustainable investment, harmonise reporting standards across the EU, and promote sustainable growth. CSRD requires companies to make certain detailed sustainability-related disclosures across a broad range of sustainability matters material to the company, including climate change, biodiversity, circular economy, workforce, affected communities, end users and business conduct. The disclosures require both narrative and specific data points to be reported. These disclosures are made as a component of annual reporting, in accordance with the provisions stipulated within the Directive (EU) 2013/34 (**Accounting Directive**). The Accounting Directive already incorporated sustainability reporting

obligations in Articles 19a and 29a, which had been introduced by Directive 2014/95, the Non-Financial Reporting Directive (**NFRD**). However, the CSRD significantly expanded these obligations. In-scope EU companies are now required by CSRD to produce sustainability reports in accordance with the detailed rules set out in the ESRS, which have been prepared by the EFRAG and enacted by the European Commission through a delegated regulation.

The legislative process

On 25 June 2020 the European Commission issued a request for technical advice mandating EFRAG to undertake preparatory work for the elaboration of possible EU non-financial reporting standards in a revised NFRD. EFRAG submitted its final report to the European Commission on 28 February 2021, proposing a roadmap for the development of a comprehensive set of EU sustainability reporting standards. In the meantime, the European Commission also conducted a fitness check of the EU framework for financial and non-financial corporate reporting. The main conclusion was that the sustainability information reported by companies did not meet the needs of its intended users. As a result of the fitness check and the findings of the impact assessment held by the European Commission, it recommended revising the NFRD. Its legislative proposal, issued on 21 April 2021 introduced several key changes compared to the sustainability reporting requirements in the NFRD. It was accompanied by a set of questions and answers³⁶, focusing on why there was a need to review the NFRD and how these new standards would affect companies. The proposal was then passed through the ordinary legislative procedure. As part of the procedure, the ECB and the Economic and Social Committee (**EESC**) issued an opinion on the European Commission's legislative proposal, and both welcomed the European Commission's proposals.



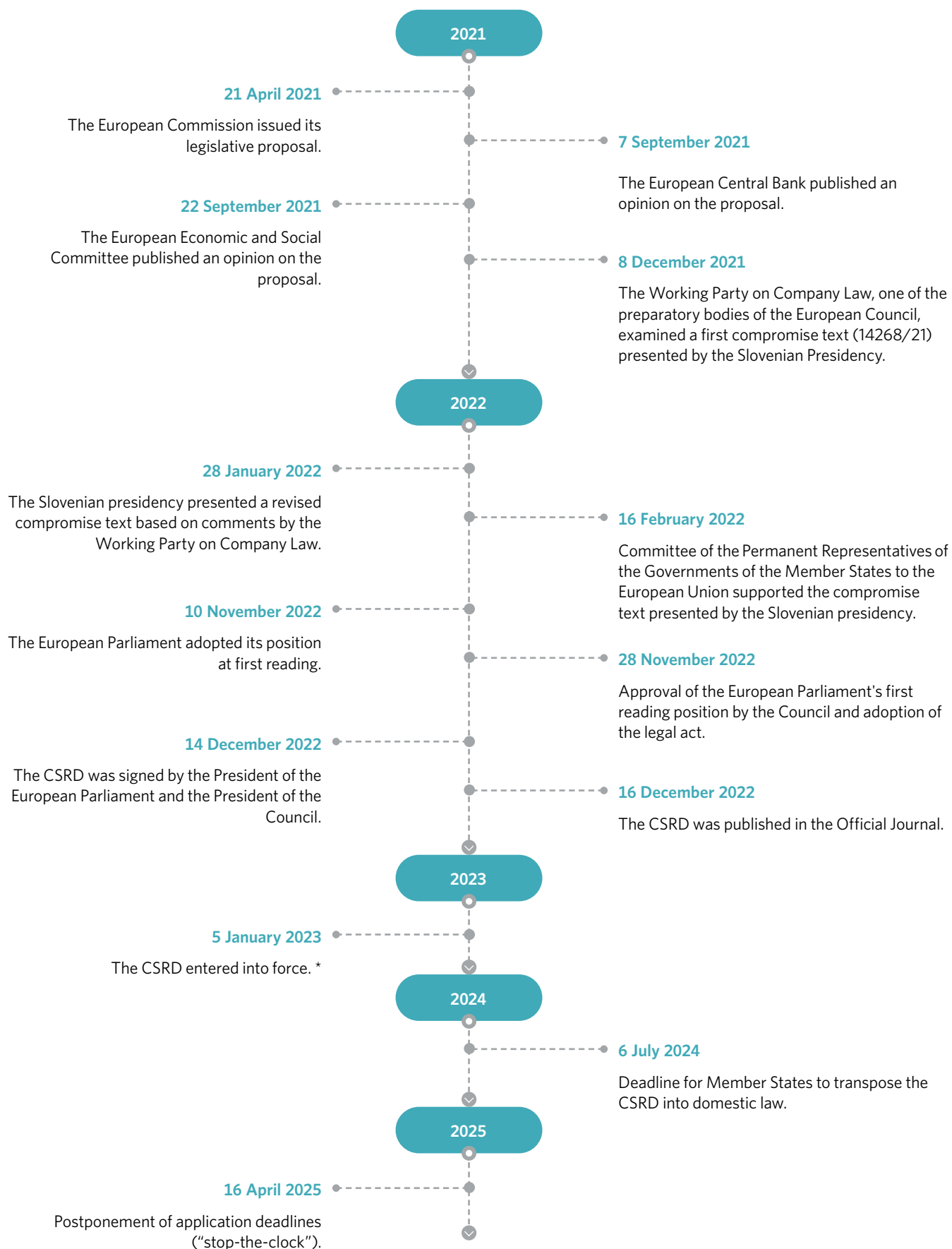
34. See footnote 15 above.

35. "Simplifying the EU Taxonomy to Foster Sustainable Finance: Report on Usability and Data", February 2025.

36. Questions and Answers: Corporate Sustainability Reporting Directive proposal, 21 April 2021.

The sequence of events and key dates in the legislative process include:

CSRD



* The CSRD has a phased approach to application dates following transposition into domestic law. The first obligations became applicable for companies already reporting under the predecessor framework (NFRD) on 1 January 2025 for financial years ending in 2024, with further groups of companies following over time.

D. Case studies from the EU sustainable finance framework

As with all EU directives, the CSRD must be transposed into national law by each Member State. The deadline for this was 6 July 2024. On 30 September 2024, the European Commission sent letters to 17 Member States, initiating infringement procedures for their failure to meet this deadline. Member States had two months to respond. If a Member State did not comply, the European Commission could issue a reasoned opinion, the next step in the infringement procedure. As of 25 February 2025, 20 EU member states (out of 27) had fully transposed the CSRD into their national laws.

The CSRD is currently under review in the context of "Omnibus Package" of the European Commission, aiming to simplify and reduce the regulatory burden of sustainability reporting. The European Commission has inter alia proposed to reduce the scope of reporting companies, limit value chain information and remove stricter audit standards. On 16 April 2025, a first element of the Omnibus Package has been published in the Official Journal, postponing the implementation deadline for the second and third wave of companies each by two years (so-called "stop-the-clock" directive).

EFRAG's role

The CSRD mandates that the European Commission consider EFRAG's technical advice when adopting sustainability reporting standards contained in the ESRS. This advice must be developed with due process, transparency, stakeholder participation, and sufficient public funding to ensure independence. It should include cost-benefit analyses and consider impacts on sustainability matters.

Shortly after the Commission issued its CSRD proposal, it invited EFRAG to launch the necessary technical work to develop draft sustainability reporting standards consistent with the requirements set out in the European Commission's proposal in parallel with the legislative process.

The ESRS exposure drafts (**ESRS EDs**) were launched by EFRAG on 29 April 2022 for public consultation. On 22 November 2022, EFRAG submitted the first set of draft ESRS to the European Commission, which also considered the input from the public consultation on the draft ESRS EDs.

Delegated acts

The CSRD mandates the European Commission to adopt delegated acts (Level 2 measures) to provide the sustainability reporting standards within a defined timeframe, specifying the information undertakings must report under the CSRD. The CSRD also specifically requires that the European Commission must consult the Member State Expert Group on Sustainable Finance and the Accounting Regulatory Committee on the draft delegated acts, request opinions from the ESAs on EFRAG's technical advice, ensuring consistency with the SFDR and consult other relevant

bodies like the European Environment Agency and the ECB. These consultations were carried out by the European Commission prior to issuing the draft delegated act and confirmed that the draft standards submitted by EFRAG broadly meet the mandate of the CSRD and would achieve the intended policy goals in the context of the European Green Deal.

In accordance with its Better Regulation Guidelines, the European Commission also published the proposed final ESRS on the "[Have Your Say](#)" portal in early June 2023 for a 4-week period of public consultation.

The European Commission made several modifications to the draft standards submitted by EFRAG which fall into three main categories: phasing-in certain reporting requirements; giving companies more flexibility to decide exactly what information is relevant ("material") in their circumstances; and making some of the proposed requirements voluntary.

On 31 July 2023, the DG for FISMA adopted the ESRS through Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards. The ESRS were published in the Official Journal on 22 December 2023 in the form of a delegated regulation which is directly applicable in all Member States.

Clause 49(5) of the CSRD established a two-month "non-objection" period for the European Parliament and the Council. Neither institution objected to any of the delegated acts.

The CSRD also requires the European Commission to adopt sector-specific standards, proportionate standards for listed SMEs, and standards for non-EU companies. Additionally, it requires the establishment of delegated acts to set limited and reasonable assurance standards for auditors and audit firms. However, the Omnibus Package (if approved) removes the requirement under CSRD to develop future sector-specific standards and transitioning to reasonable assurance, thus eliminating the need to develop reasonable assurance standards.

Ongoing work

After the adoption of the CSRD and ESRS, EFRAG has been involved in several initiatives to help stakeholders understand the ESRS, for example:

- Implementation guidance related to CSRD set out in greater detail in A.7 above; and
- The ESRS Q&A Platform which aims to offer non-authoritative guidance on technical implementation questions related to ESRS.



In addition, the CSRD expressly mandates the European Commission to review any delegated acts under the CSRD at least every three years, considering advice from EFRAG and taking into account the development of international standards. Furthermore, it must hold annual consultations with the European Parliament and relevant expert groups on EFRAG's work program.

In the context of the Omnibus Package, EFRAG has been mandated by the European Commission to propose simplifications to the existing ESRS by 31 October 2025.

D.3 Legislative process and background of the CSDDD

The CSDDD, formally known as Directive (EU) 2024/1760, was introduced in order to promote responsible business conduct and to ensure companies take accountability for their impact on human rights and the environmental impact throughout their supply chains. This includes both upstream and downstream business partners. Companies must therefore integrate due diligence into their policies and risk management systems and adopt and implement a transition plan that makes their business model compatible with the 1.5°C global warming limit under the Paris Agreement. Carrying out due diligence across a company's supply chain has already been embedded in many local or topical frameworks (including, for example, in relation to modern slavery and deforestation) and is frequently practiced by large corporates in alignment with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the United Nations Guiding Principles on Business and Human Rights.

The legislative process

The proposal for the CSDDD was published by the European Commission on 23 February 2022. It was then forwarded to the relevant bodies through the ordinary legislative procedure. During this process, opinions on the proposal were issued by the ECB and the EESC. On 30 November 2022, the Council announced its negotiating position, introducing several key changes. Subsequently, on 1 June 2023, the European Parliament presented its amendments to the proposal. The proposal then went through the "trilogue" phase (ie inter-institutional negotiations) and the European Parliament and the Council reached a provisional agreement on the text on 14 December 2023.

In what can be described as a roller-coaster sequence of events in the legislative process, the proposal failed to reach the "qualified majority" of at least 55% of Member States (15 out of 27) or the backing of Member States representing at least 65% of the total EU population which was required for the CSDDD to pass in the Council. Germany, which controlled 18.72% of the votes, announced its intention to abstain, and several other Member

States followed suit. France also issued a last-minute proposal regarding the threshold of in-scope companies. With one opposition and 13 abstentions, the vote on 28 February 2024 failed. On 6 March 2024, the Belgian presidency circulated a compromise text. A vote was expected on 8 March 2024 but was postponed after Germany indicated it would continue to abstain. However, as a final attempt to meet concerns of Member States and to put new legislation through before the end of the then parliamentary term, the Belgian presidency circulated a final compromise text, making further concessions, on 13 March 2024 which was approved by the Council on 15 March 2024. The European Parliament adopted this draft on 24 April 2024.

As a result of the Omnibus Package, the CSDDD is now under review again even before the date on which it becomes applicable. On 16 April 2025, a first element of the Omnibus Package has been published in the Official Journal, postponing the implementation deadline for the first wave of companies from 2027 to 2028 (so-called "stop-the-clock" directive).

Delegated acts

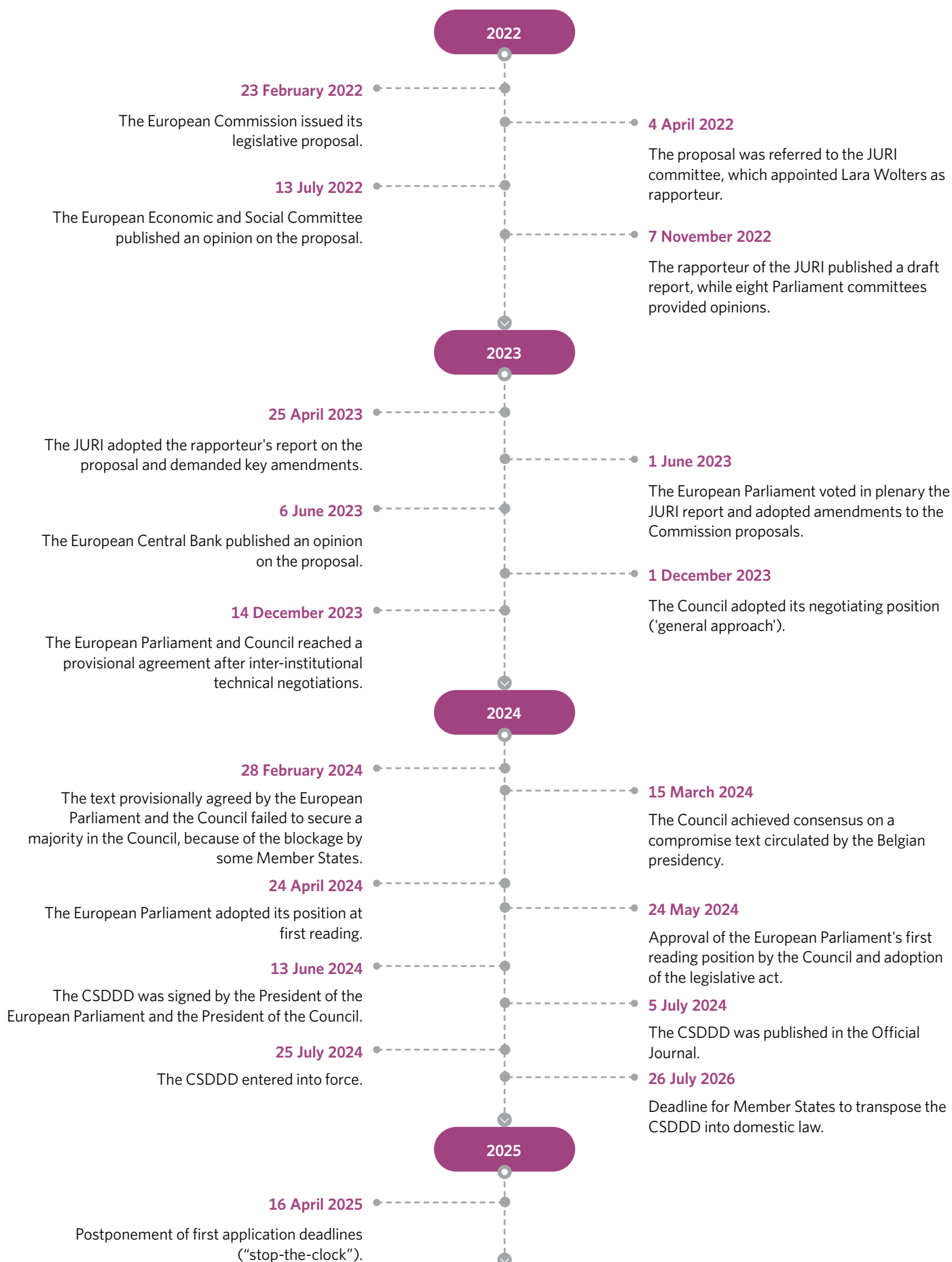
The CSDDD mandates the European Commission to adopt a delegated act by 31 March 2027, specifying the information on due diligence, identified actual and potential adverse impacts, and measures taken to address those impacts. This applies to companies not subject to the CSRD, which must communicate this information in their annual statement on their website as per Article 16(1) CSDDD. The European Commission must ensure these obligations align with sustainability reporting standards under Articles 29b and 40b of the CSRD and avoid duplicating reporting requirements for companies already subject to the SFDR. The European Commission has not issued a proposal for this delegated act yet.

Additionally, the European Commission may adopt delegated acts to amend the Annex to the CSDDD. These amendments could include:

- Adding references to international instruments ratified by all Member States related to human rights, fundamental freedoms, and environmental protection;
- Modifying references to international instruments in the Annex as they change; and
- Replacing or adding references to new international instruments ratified by all Member States.

This flexibility allows the European Commission to keep the Directive up-to-date with international developments.

CSDDD



List of Abbreviations

Accounting Directive

Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC

CJEU

The Court of Justice of the European Union

Climate Delegated Act

Commission Delegated Regulation (EU) 2021/2139

CoE

The Council of Europe

CoR

The Committee of the Regions

Council

The Council of the European Union

CSRD

Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Corporate Sustainability Reporting Directive)

CSDDD

Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (Corporate Sustainability Due Diligence Directive)

DGs

Directorates-General

Disclosures Delegated Act

Commission Delegated Regulation (EU) 2021/2178

DROI

The European Parliament's Subcommittee on Human Rights

EBA

European Banking Authority

ECB

European Central Bank

ECHR

The European Convention on Human

ECOFIN

The Economic and Financial Affairs Council configuration of the Council

ECON

The European Parliament's Committee on Economic and Monetary Affairs

ECtHR

European Court of Human Rights

EEA

European Economic Area

EESC

The Economic and Social Committee

EFRAG

European Financial Reporting Advisory Group

EFTA Surveillance Authority

European Free Trade Association Surveillance Authority

EIOPA

European Insurance and Occupational Pensions Authority

ENVI

The Environmental Council configuration of the Council

Environmental Delegated Act

Commission Delegated Regulation (EU) 2023/2486

ESAs

European Supervisory Authorities

ESAs Regulations

Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority), as amended by subsequent legislation, Regulation (EU) No 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), as amended by subsequent legislation, and Regulation (EU) No 1095/2010 establishing a European Supervisory Authority (European Securities and Markets Authority), as amended by subsequent legislation.

ESFS

European System of Financial Supervision

ESMA

European Securities and Markets Authority

ESRB

European Systemic Risk Board

ESRS

European Sustainability Reporting Standards

ESRS EDs

The Draft ESRS exposure drafts

EU

European Union

EUCO

The European Council

EU Law

Consists of (i) the founding Treaties; (ii) the legal acts adopted by the European institutions, which enable the EU to exercise its powers. This includes regulations, directives, decisions, recommendations, and opinions; (iii) the Charter of Fundamental Rights; (iv) the general principles established by the Court of Justice of the European Union; and (v) International agreements with non-EU countries or international organizations.

FISMA

Financial Stability, Financial Services and Capital Markets Union

HLEG

High-Level Expert Group on Sustainable Finance, established by the European Commission

HLEG Final Report

Final report of the HLEG of 31 January 2018, titled "Financing a Sustainable European Economy"

IASB

International Accounting Standards Board

ISSB

International Sustainability Standards Board

INTPA

The DG for International Partnerships

ITS

Implementing Technical Standards

ITRE

The European Parliament's Committee on Industry, Research and Energy

JURI

The European Parliament's Committee on Legal Affairs

Member States

Member States of the European Union

MEPs

Members of the European Parliament

MiFID II

The Markets in Financial Instruments Directive

NFRD

Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (Non-Financial Reporting Directive)

OECD Guidelines

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

List of Abbreviations

Omnibus Package

Package of legislative proposals issued by the European Commission on 26 February 2025, consisting of:

1. proposal for a Directive amending the CSRD and the CSDDD;
2. proposal which postpones the application of all reporting requirements in the CSRD for companies that are due to report in 2026 and 2027 (so-called wave 2 and 3 companies) and which postpones the transposition deadline and the first wave of application of the CSDDD by one year to 2028;
3. draft Delegated act amending the Taxonomy Disclosures and the Taxonomy Climate and Environmental Delegated Acts subject to public consultation.

PSF

Platform on Sustainable Finance

RTS

Regulatory Technical Standards

SFDR

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation)

Solvency II

Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast)

Taxonomy Framework

the framework constituted by the Taxonomy Regulation, Climate Delegated Act, Environmental Delegated Act and Disclosures Delegated Act

Taxonomy Regulation

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

TEG

Technical Expert Group on Sustainable Finance

TEU

Treaty on the European Union

TFEU

Treaty on the Functioning of the European Union

UNGPs

The United Nations Guiding Principles on Business and Human Rights



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